Clustering restaurants helps them thrive

Finding common ground on a restaurant choice can be an obvious task, but properties with multiple restaurants are offering an end-run around the problem, at least temporarily. "If you have the right bundle of restaurants, people will use the property as a culinary destination," said Greg Lyons, principal and design director at Studio Architects, Los Angeles. "They'll say, 'Let's just figure out what to eat when we get there,' because there are plenty of options."

Grouping food tenants can help to be convenient for landlords who need to drive traffic or fill vacancies, experts say. After all, the traditional strip-store and big-box stores are harder to attract in today's slowing economy. Meanwhile, restaurants are expanding at a faster pace than other tenant types and generally like to be clustered around other restaurants. "Food certainly is becoming a viable entertainment anchor," Lyons said. "It can increase return visitation not only on weekdays, but also on weekends and evenings. The key is in how creative of the right offerings."

The trend is transforming some regional malls into dining hotspots. Denver's Park Meadows has brought in chef Richard Sandoval's La Sandita in March and, now under construction, Passion 52 Fresh Grill and Wine Bar, according to Kelly Green, president of Denver-based retail brokerage Urban Legends. LYTE Kitchen, the restaurant in the name stand for Love Your Food Everyday, "where everything is under 500 calories," its slogan says, is set to open at Park Meadows in June. Interestingly, this healthy fast-food chain is the brainchild of fast-food giant McDonald's executive.

This ramped-up restaurant offering can boost the appeal of other property types as well. The first floor of 9001 Washington Blvd., a mixed-use renovation under construction across from the Rock Bottom Brewery and Sony Studios, in Los Angeles, is to be a cluster of six restaurants totaling some 11,500 square feet, says Lee Shapiros, executive vice president of Kennedy Wilson Breitling Group, of Beverly Hills, Calif. The project, which includes 131 apartments, is slated to open in December.

"Conversely, we have had more than 25 written offers from restaurants," Shapiro said. "The first two leases are by French bakery Le Pain Quotidien, which offers 130 organic ingredients, and fast-casual chain Pizza fire. The next one of restaurants, an appeal to apartment residents, office workers and shoppers alike, Shapiro says. "We are trying to create the place where you can go two or three times a week, but not a different place each time," he said. Estatos also added titanium Retail Centers' The Headquarters, a $40 million renovation and adaptive reuse of San Diego's 1960s-era police headquarters. This seaside project, which opened last fall, has a lineup of restaurants tied to a eco-friendly menu. Pizzeria Mozza comes from chefs Joe Bastianich, Mario Batali and Nancy Silverton, Mexican restaurant Puesto emphasizes exotic cocktails and fresh, organic ingredients, all Saterias 52, which bills itself as a healthy grill, no dish contains more than 475 calories. At Union Property Group's Grand Birch Shops, which opened in fall on the Las Vegas Strip, chef and restaurateur Sam Morales is launching five culinary concepts selling artisanal cupcakes, ice cream, macarons, meats and spices.

Restaurant clusters do come with costs. They can require lots of parking, and perhaps such investments pro more features, outdoor seating and better lighting. Still, they can make good sense for some projects, says broker Robert Haas, a founding partner of Cypress Retail Group, Westlake Village, Calif. "Developers or property owners are asking the question, "What can I put in my project that is not going to be impacted by internet shopping?"" said Haas. "When you think about how food drives consumer and creates an experience — family and friends coming together around the table — you can understand why developers want to bring this to their properties."